

CHIPPEWA MARTINY FIRE DEPARTMENT

RODNEY, MICHIGAN

MARCH 31, 2008

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MARCH 31, 2008

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April 30, 2008

INDEPENDENT AUDITORS' REPORT

To the Fire Board
Chippewa Martiny Fire Department
Mecosta County
Rodney, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Chippewa Martiny Fire Department, Mecosta County, Rodney, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Chippewa Martiny Fire Department, Mecosta County, Rodney, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 14 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa Martiny Fire Department, Mecosta County, Rodney, Michigan's basic financial statements. The individual fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Chippewa Martiny Fire Department is a joint venture volunteer fire department supported by the Township's of Chippewa and Martiny that has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Chippewa Martiny Fire Department board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008.

Financial Highlights

- ◆ The assets of the Fire Department exceeded its liabilities at the close of the fiscal year by \$173,487. Of this amount, \$53,446 may be used to meet the Fire Department's ongoing obligations to citizens and creditors.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$53,446 or 71% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fire Department's basic financial statements. The Fire Department's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Fire Department's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Fire Department's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Fire Department's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire Department is improving or deteriorating.

The *Statement of Activities* presents information showing how the Fire Department's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Fire Department that are principally supported by intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Fire Department include public safety. The Fire Department supports no business-type activities.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Fire Department are governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Fire Department's financial position over time. The Net Assets of the Fire Department are \$173,487 at March 31, 2008, meaning the Fire Department's assets were greater than its liabilities by this amount.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Chippewa Martiny Fire Department
Net Assets as of March 31, 2008

	Governmental Activities
Assets	
Current Assets	\$ 53,659
Non Current Assets	
Capital Assets	406,158
Less: Accumulated Depreciation	(286,117)
Total Non Current Assets	120,041
Total Assets	\$ 173,700
Liabilities	\$ 213
Net Assets	
Invested in Capital Assets	120,041
Unrestricted	53,446
Total Net Assets	173,487
Total Liabilities and Net Assets	\$ 173,700

The most significant portions of the Fire Department's Net Assets are cash and investment in capital assets (e.g. land, buildings and equipment), less any related debt that is outstanding that the Fire Department used to acquire or construct the asset.

At the end of the current fiscal year, the Fire Department is able to report positive balance in net assets for the government as a whole.

The following table illustrates and summarizes the results of the changes in the net assets for the Fire Department. The condensed information was derived from the government-wide Statement of Activities.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Chippewa Martiny Fire Department
Change in Net Assets
for the Fiscal Year Ended March 31, 2008

	<u>Governmental Activities</u>
<u>Revenues</u>	
Operating Grants and Contributions	
Contributions from Local Units	\$ 67,800
General Revenues	
Unrestricted Investment Earnings	581
Other Revenue	4,154
	<hr/>
Total Revenues	72,535
	<hr/>
<u>Expenses</u>	
Public Safety	72,438
	<hr/>
Changes in Net Assets	97
	<hr/>
<u>NET ASSETS</u> - Beginning of Year	173,390
	<hr/>
<u>NET ASSETS</u> - End of Year	\$ 173,487
	<hr/> <hr/>

Governmental Activities

During the fiscal year ended March 31, 2008, the Fire Department's net assets increased by \$97 or 0.06% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Fire Department to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Chippewa Martiny Fire Department comes from the Townships of Chippewa and Martiny. Each unit contributes an equal amount. This revenue is shown as contributions from local units.

The Fire Department's governmental activities expenses are dominated by public safety expenses that total 100% of total expenses. The Fire Department spent \$72,438 in fiscal year 2008 on public safety expenses. Expenses for wages represent a large portion of the public safety expenses at \$20,032. Depreciation expense added another \$19,731.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Financial Analysis of the Government's Funds

Governmental Activities The focus of Chippewa Martiny Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund – At the end of the current fiscal year, Chippewa Martiny Fire Department's general fund reported an ending fund balance of \$53,446. This entire amount constitutes unreserved fund balance. The fund balance of the Fire Department's general fund decreased by \$3,269 during the current fiscal year.

General Fund Budgetary Highlights

During the year, individual expenditure lines were amended to agree with actual expenditures. In total, Public Safety expenditures did not change.

Capital Assets and Debt Administration

Capital Assets. The Fire Department's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$120,041 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$2,500 individually, plus all land. A summary of capital asset categories is illustrated below:

Chippewa Martiny Fire Department
Capital Assets as of March 31, 2008

	Governmental Activities
Land	\$ 4,000
Buildings	56,000
Vehicles and Equipment	346,158
	<hr/> 406,158
Less Accumulated Depreciation	(286,117)
Net Capital Assets	<hr/> \$ 120,041 <hr/>

Major capital asset additions during the current fiscal year included the following:

- Deck gun at cost of \$3,133.
- AMKUS rescue system (Jaws) \$19,964.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Long-Term Debt. As of March 31, 2008, the Fire Department was not obligated for any long-term debt.

Economic Condition and Outlook

The Fire Department is expected to be supported by the Townships in the future.

A fire millage was once again levied for the 2007 tax roll. The mills to be levied for the 2008 tax roll for fire protection are expected to be similar to 2007.

These factors were considered in preparing the Fire Department's budgets for the 2008-09 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Chippewa Martiny Fire Department at 16731 110th Avenue, Rodney, Michigan 49342.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 33,163
Certificate of Deposit	20,496
	<u>53,659</u>
<u>CAPITAL ASSETS</u>	
Land	4,000
Buildings	56,000
Vehicles and Equipment	346,158
	<u>406,158</u>
Less Accumulated Depreciation	<u>(286,117)</u>
Total Capital Assets	<u>120,041</u>
TOTAL ASSETS	<u><u>\$ 173,700</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 213</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	120,041
Unrestricted	53,446
	<u>173,487</u>
Total Net Assets	<u>173,487</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 173,700</u></u>

The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTALS
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Public Safety	\$ 72,438	\$ 0	\$ 67,800	\$ 0	\$ (4,638)
<u>GENERAL REVENUES</u>					
					581
Unrestricted Investment Earnings					
Other Revenue					4,154
Total General Revenues					4,735
Change in Net Assets					97
<u>NET ASSETS</u> - Beginning of Year					173,390
<u>NET ASSETS</u> - End of Year					\$ 173,487

The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2008

	<u>GENERAL FUND</u>
 <u>ASSETS</u>	
Cash	\$ 33,163
Certificate of Deposit	<u>20,496</u>
 TOTAL ASSETS	 <u><u>\$ 53,659</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 213
 <u>FUND BALANCE</u>	
Unreserved	 <u>53,446</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 53,659</u></u>

The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total Fund Balance for Governmental Funds	\$	53,446
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	4,000	
Buildings		56,000	
Vehicles and Equipment		346,158	
Accumulated Depreciation		<u>(286,117)</u>	<u>120,041</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>173,487</u></u>
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The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Local Sources	
Contributions from Local Units	\$ 67,800
Interest and Rents	581
Other	<u>4,154</u>
Total Revenues	<u>72,535</u>
<u>EXPENDITURES</u>	
Public Safety	<u>75,804</u>
Net Change in Fund Balance	(3,269)
<u>FUND BALANCE</u> - Beginning of Year	<u>56,715</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 53,446</u></u>

The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2008

Net change in Fund Balance Total Governmental Funds	\$ (3,269)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(19,731)
Capitalized Capital Outlay	<u>23,097</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 97</u></u>
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The accompanying notes are an integral part of the financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Chippewa Martiny Fire Department is a joint venture volunteer Fire Department supported by Chippewa and Martiny Townships. Under the criteria established by accounting principles generally accepted in the United States of America, the Fire Department has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Fire Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

Contributions from local units and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Fire Department are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Chippewa Martiny Fire Department reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Fire Department's policy to use the restricted resources first, then unrestricted resources as they are needed.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Fire Department states that the fire clerk may invest fire department funds in certificates of deposit, savings accounts, deposit amounts or depository receipts of a bank but only if the bank, savings and loan association, or credit union meet all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in managing an overall portfolio.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. Fire Department revenues are recognized when they become both measurable and available for use to finance Fire Department operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

For the 2007-2008 fiscal year, the Chippewa Martiny Fire Department received as aid \$33,900 from Chippewa Township and \$33,900 from Martiny Township.

3. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of one year plus all land. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land Improvements	20
Vehicles and Equipment	5-15

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain public comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 19, 2007, or as amended by the Fire Department Board from time to time throughout the year.

The appropriated budget is prepared by activity. The Fire Department Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Fire Department because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Department's deposits are all on deposit with Independent Bank West in Big Rapids, Michigan.

Investment rate risk. The Department will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Department's cash requirement.

Foreign currency risk. The Department is not authorized to invest in investments, which have this type of risk.

Credit risk. The Department will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Department's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Department will do business in accordance with the Department's investment policy.

Concentration of credit risk. The Department will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Department's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, of the government's bank balance of \$58,042, none was exposed to custodial credit risk.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Department's investments are categorized to give an indication of the level of risk assumed by the Department at year end. Category 1 includes investments that are insured or registered, or securities held by the Department or the Department's agent in the Department's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Department's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Department's name. At year end, the Department held no investments.

B. Receivables

At year end, the Fire Department had no accounts receivable.

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Land				
Capital assets, being depreciated				
Buildings	56,000	0	0	56,000
Vehicles and Equipment	323,061	23,097	0	346,158
Total capital assets, being depreciated	379,061	23,097	0	402,158
Less accumulated depreciation for:				
Buildings	24,640	1,120	0	25,760
Vehicles and Equipment	241,746	18,611	0	260,357
Total accumulated depreciation	266,386	19,731	0	286,117
Total capital assets, being depreciated, net	112,675	3,366	0	116,041
Governmental activities capital assets, net	\$ 116,675	\$ 3,366	\$ 0	\$ 120,041

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public Safety	\$ <u>19,731</u>

Construction Commitments:

The Fire Department has no outstanding construction commitments as of March 31, 2008.

D. Long-Term Debt

At March 31, 2008, the Department was not obligated for any long-term debt.

IV. OTHER INFORMATION

A. Risk Management

The Fire Department is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters, and worker's compensation claims. The Fire Department carries commercial insurance to guard against loss from these risks.

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Contributions from Local Units	\$ 67,800	\$ 67,800	\$ 67,800
Interest and Rents	100	100	581
Other	4,600	4,600	4,154
Total Revenues	72,500	72,500	72,535
<u>EXPENDITURES</u>			
Public Safety	108,500	108,500	75,804
Net Change in Fund Balance	(36,000)	(36,000)	(3,269)
<u>FUND BALANCE</u> - Beginning of Year	36,000	36,000	56,715
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 53,446

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2008

ASSETS

Cash	\$ 33,163
Certificate of Deposit	<u>20,496</u>
 TOTAL ASSETS	 <u><u>\$ 53,659</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 213
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FUND BALANCE

Unreserved	<u>53,446</u>
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 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 53,659</u></u>
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CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>		
Local Sources		
Contributions from Local Units	\$ 67,800	\$ 67,800
Interest and Rents		
Interest Earnings	100	581
Other Receipts		
Miscellaneous	4,600	4,154
	<hr/>	<hr/>
Total Revenues	72,500	72,535
	<hr/>	<hr/>
<u>EXPENDITURES</u>		
Public Safety		
Personal Services		
Salaries and Wages	33,480	20,032
Supplies		
Office and Computer Supplies	1,000	759
Operating Supplies		
Gas and Oil	1,500	934
Other Services and Charges		
Utilities and Telephone	4,700	3,751
Training	2,000	1,117
Repair and Maintenance		
Building	4,000	122
Equipment	10,000	4,327
Grounds	525	525
Medical Services	500	491
Printing and Publishing	500	0
Professional Services	400	0
Gas and Mileage Reimbursements	1,800	1,715
Miscellaneous	860	669
Other Functions		
Insurance and Bonds	12,000	10,908
Employee Benefits	2,500	1,461

CHIPPEWA MARTINY FIRE DEPARTMENT
RODNEY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>
Capital Outlay		
Equipment	30,000	28,993
Contingency	2,735	0
Total Expenditures	108,500	75,804
Excess (Deficiency) of Revenues Over Expenditures	(36,000)	(3,269)
<u>FUND BALANCE</u> - Beginning of Year	36,000	56,715
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 53,446

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April 30, 2008

To the Fire Board
Chippewa Martiny Fire Department
Rodney, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Chippewa Martiny Fire Department, Rodney, Michigan as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Chippewa Martiny Fire Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Fire Department and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be

implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C

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April 30, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Fire Board
Chippewa Martiny Fire Department
Rodney, Michigan

We have audited the financial statements of the governmental activities and each major fund of the Chippewa Martiny Fire Department for the year ended March 31, 2008, and have issued our report thereon dated April 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 24, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Chippewa Martiny Fire Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Chippewa Martiny Fire Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the governmental unit during the year for which there is a

lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2008.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During the course of our audit of the basic financial statements of Chippewa Martiny Fire Department for the year ended March 31, 2008, we noted the following which we feel deserve comment:

Budgeting Procedures

Pertaining to the Fire Department's compliance with Public Act 621 of 1978, the budget document should have the actual results from the prior year.

This information is intended solely for the use of the Board and management of Chippewa Martiny Fire Department and is not intended to be and should not be used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.